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SUBJECT: EGYPT'S ECONOMY: WEEKLY PRESS ROUND-UP

¶1. The following is a summary of notable economic news stories as they appeared over the past week in the Egyptian press.

#### GAS RESERVES 70 TRILLION CUBIC FEET

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¶2. Wood Mackenzie, an energy consulting firm, estimated that Egypt's natural gas reserves stand at 70 trillion cubic feet (TCF), of which more than 80 percent is in the Nile Delta. (NOTE: This is the first independent confirmation of the GOE's natural gas reserve figure. END NOTE.) Egyptian Gas Holding Company (EGAS) Chairman Mahmoud Abdel Latif said EGAS plans 23 exploration wells in the FY 2009-2010 fiscal year, representing a \$1.1 billion investment. This year EGAS also plans to start up seven new gas development projects, worth \$3.3 billion, which are expected to produce about 800 million cubic feet of gas per day. EGAS is reportedly expanding its effort to provide natural gas to Egyptian homes. As of February 2009, EGAS reported that 3.1 million Egyptian homes have been supplied with natural gas, and the company plans to hook up another 1.4 million by ¶2010.

#### SEPTEMBER ROCKSLIDE VICTIMS RECEIVE NEW HOUSES

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¶3. The GOE has announced that they have delivered a second batch of housing units for forty seven families ordered to leave their homes after the September 2008 rock slide in the El Mokattam area. Reports indicate twenty families are still sleeping in the street in front of the Housing Commission.

#### US-BUILT LOCOMOTIVES ENTER SERVICE; DRAW COMPLAINTS

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¶4. At the end of February, the Egyptian General National Railways (ENR) took delivery of 120 new locomotives manufactured by General Electric. . Media reports indicate several ENR locomotive drivers were concerned about safety issues associated with the technology and roll-out of the new locomotives and complained to the general prosecutor. ENR Chairman Mahmoud Sami rejected the drivers' claims, and told reporters he is sure the investigation will show ENR is taking and following appropriate safety measures.

#### NUCLEAR LAW TO PARLIAMENT THIS SPRING

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¶5. Following a meeting with the British Ambassador, Minister of Electricity and Energy Hassan Younes described the GOE's plan to diversify energy sources, including increasing renewable energy to 20% of the total available by 2020, along with efforts to encourage conservation amongst commercial and residential customers. He noted that Egypt's draft nuclear law had been reviewed by the IAEA, and was expected to be approved by the Parliament this session.

#### CAO REPORTS ON EGYPTIAN ECONOMY'S STRENGTHS AND WEAKNESSES

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¶6. The government's weaknesses outnumbered its achievements, according to the Central Auditing Organization (CAO) report presented March 5 by CAO Chairman Goudat el-Malt, in his statement to the People's Assembly. According to the press reports, Finance Minister Ghali and Economic Development Minister Osman refused to respond to the details of the report. Among the GOE's failings,

El-Malt said, is that the poor and the middle class have not benefitted from the economic reforms. El-Malt said Egypt's internal debt is one of the highest worldwide, while inflation rose from 4.2% in 2006 to 11.7% in 2008. On the positive side, El-Malt cited growth rates of up to 7.2%, \$11.9 billion in foreign investments and \$34.6 billion in monetary reserves.

#### REVENUES UP, OPERATING DEFICIT STABLE

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¶7. The Ministry of Finance reports that the government's primary deficit was 1.1% of GDP in the second half of 2008. Public revenues reached LE 147.1 billion (\$27.2b), a 59.1% increase over the same period the previous year, equivalent to 14.6% of GDP.

#### EGYPT'S STRATEGY FOR THE GLOBAL FINANCIAL CRISIS

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¶8. Cabinet spokesman Magdy Radi told the press that the government has a fourfold strategy to address the financial crisis, and its continuing impact on tourism, exports, foreign investment, Suez Canal revenues and remittances. The strategy will focus on "developing the national economy, allowing it to get over the negative effects of the crisis; re-launching the economy based on the local market; making more public investments in utilities, infrastructure and services; and using national savings to finance medium and big enterprises."

#### EGYPTIAN WORKERS STAYING IN THE GULF

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¶9. CEO of the Egyptian Chamber of Commerce Saleh Nasr, who also heads the Association of Labor Abroad, denied reports that companies in the Gulf had laid off Egyptian labor as a result of the economic crisis. He disputed recent reports that 40,000 Egyptians would return home. The Gulf is still the most important destination for Egyptian workers; there are currently 2.5 million Egyptians working in Saudi Arabia, according to the press.

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